



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

m/37/084

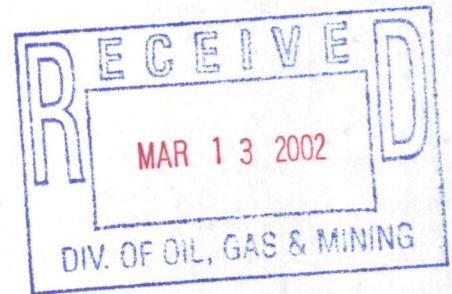
Michael O. Leavitt
Governor

Stephen G. Boyden
Director

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March 11, 2002

Mr. Jerry Powers
Manager of Administration
Cotter Corporation NSL
7800 East Dorado Place, Suite 210
Englewood, CO 80111



RE: ML 45609-BSLS
Surety Bonds and
DOGM #M/037/084; Papoose Limestone Mine

Dear Mr. Powers,

Cotter Corporation recently posted surety bond # _____ with the Division of Oil, Gas & Mining, naming American Home Assurance Company as Surety in the amount of \$94,700.00. The bond is held by DOGM regulatory authority pursuant to the Utah Mined Reclamation Act for the reclamation of lands disturbed or proposed for disturbance under mining permit #M/037/084.

Cotter Corporation previously posted surety bond _____ with the Trust Lands Administration, Lessor, pursuant to Article XII of the terms and conditions of mineral lease ML 45609, naming United Pacific Insurance Company as Surety. The Principal amount of this bond was reduced to \$54,000, by rider, on March 15, 2000. The bond with the Trust Lands Administration is conditioned upon payment of rentals and royalties accruing to the mineral lease as well as for the reclamation of mined lands. Surety Bond #U2475586 remains in effect until the Lessee satisfies all obligations accruing to the lease or until the bond is formally released by the Director of the Trust Lands Administration.

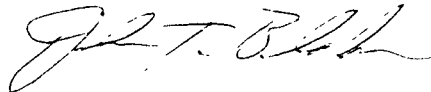
The Trust Lands Administration has no desire to duplicate reclamation bonding posted with the Division of Oil, Gas & Mining and will therefore accept Cotter's DOGM surety bond _____ as to reclamation of the lands under mineral lease ML 45609. The amount of the DOGM bond is computed on the basis of reclamation costs only, however, and does provide for payment of rentals and royalties accruing to the Lessor. It is in the interest of the Trust Lands Administration to maintain a separate bond from Cotter Corporation to assure the timely payment of rentals and royalties. As stated in my letter of March 6, 2002, to Preston Niesen, the Trust

Lands Administration will accept a bond rider reducing the principal amount of surety bond _____ to \$5,280.00, to be held for the payment of rentals and royalties. The amount is equivalent to the readjusted advance rental/minimum royalty payment required under the lease and is roughly equivalent to average production royalty payments actually received from the lease in a calender quarter.

Alternatively, the Trust Lands Administration will accept a \$5,000.00 cash bond (U.S. Currency) from Cotter Corporation in lieu of the surety bond to assure the payment of rentals and royalties. Such cash bond will be held in suspense by the Trust Lands Administration and interest accruing to the principal shall be forfeited to the trust. Other forms of in-lieu bonding are not acceptable at this time. Upon receipt of the proposed \$5,000.00 cash bond I will recommend that the Director formally release surety bond _____

Please contact me if you have any further questions in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "John T. Blake".

John T. Blake
Mineral Resources Specialist

CC: Wayne Hedberg